

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2368-01  
BILL NO.: HB 1140  
SUBJECT: Children and Minors: Taxation and Revenue  
TYPE: Original  
DATE: January 24, 2000

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

**\*Losses expected to exceed (\$100,000) annually.**

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Department of Revenue (DOR)** state this legislation allows a deduction in determining the Missouri adjusted gross income for a resident who is paying child support pursuant to a judgement of dissolution of marriage or separation. This deduction is equal to 50% of the total income necessary to support the child or children as determined by the Form 14 approved by the court. If the judgement is adjusted by the court, the judgement in effect on December 31<sup>st</sup> of the calendar year will be the amount used to determine this deduction. A resident who is paying an amount greater than 50% of combined child support costs as determined on the Form 14 may subtract from the federal adjusted gross income an amount equal to the child support actually paid during the taxable year, less 50% of the combined child support for the taxable year.

### **ADMINISTRATIVE IMPACT:**

The number of taxpayers eligible for this deduction is unknown at this time. The Division anticipates this deduction will take an additional 10 seconds to key and verify. Therefore, the Division will need one temporary tax season employee (\$8.00 an hour) for every 260,000 returns filed with simple deductions, and one for every 130,000 returns filed with more difficult deductions. One Tax Processing Tech I will also be needed for every 30,000 income tax errors generated by this legislation.

This legislation will require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours, a cost of \$41,617. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$2,861 is requested for on-going costs.

**Oversight** has allowed the Department of Revenue \$27,391 for reprogramming expenses, State Data Center charges and implementation costs. Oversight assumes the Department of Revenue could handle the provisions of this proposal with existing resources or request additional staff through the budget process.

Officials of the **Office of Administration (COA)** state that this proposal would allow an income tax deduction for child support payments for individuals who are paying 50% or more of the child support.

According to personnel in the Department of Social Services/Child Support Enforcement

ASSUMPTION (continued)

Division, for the year ending September 30, 1999, child support payments of approximately \$533 million were in force. These are orders on non-custodial parents and, in the vast majority of cases, these payments are at least 50% of the overall child support payments.

**Oversight** has been unable to find any empirical basis to estimate the fiscal impact of this proposal. Therefore Oversight assumes there would be an unknown loss to the General Revenue Fund expected to exceed (\$100,000) annually.

**This proposal would result in a decrease in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

Loss to General Revenue Fund

Deduction of Child Support Payments	(Unknown)	(Unknown)	(Unknown)
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Cost - Department of Revenue

Reprogramming costs	(\$27,391)	\$0	\$0
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUND\***

<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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**\*Losses expected to exceed (\$100,000) annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

RB:LR:OD:005 (9-94)

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This proposal exempts certain child support payments from state income tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
Department of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "Jarrett".

Jeanne Jarrett, CPA  
Director  
January 24, 2000